

VILLAGE OF MORRICE  
SHIAWASSEE COUNTY

FINANCIAL STATEMENTS

FEBRUARY 28, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF MORRICE	County SHIAWASSEE
Fiscal Year End 2/28/06	Opinion Date 8/4/06	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

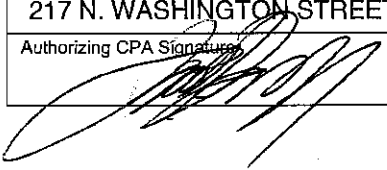
YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DEMIS & WENZLICK, P.C.		Telephone Number (989) 723-8227	
Street Address 217 N. WASHINGTON STREET, STE. 201		City OWOSSO	State MI
Authorizing CPA Signature 		Printed Name JAMES DEMIS, JR.	License Number 1101008874

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### INDEPENDENT AUDITOR'S REPORT

To the Honorable President  
and Village Council  
Village of Morrice, Michigan

We have audited the general purpose financial statements of the Village of Morrice, and its combining and individual fund financial statements as of and for the year ended February 28, 2006, as listed in the foregoing table of contents. These financial statements are the responsibility of the Village of Morrice management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and business-type activities as required by the Governmental Accounting Standards Board (GASB 34). Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. GASB 34 requires management's discussion and analysis which also has not been prepared.

In our opinion, except for the non-application of GASB 34, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Morrice as of February 28, 2006, and the results of its operation, and the cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles in the United States of America. Also, in our opinion, the combining individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of the individual fund and account groups of the Village of Morrice at February 28, 2006 and the results of operations of such funds and cash flows of individual proprietary and similar trust funds for the year ended in conformity with generally accepted accounting principles. Our examination was made for the purpose of forming an opinion on the combined financial statements taken as a whole and on the combining and individual fund financial statements.

The accompanying financial information, listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements of the Village of Morrice. The information has been subjected to the auditing procedures applied in the financial statements of the combined, combining, and individual fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Our report of comments and recommendations has been submitted under date of August 4, 2006

*Dennis and Wenzel, PC*

Certified Public Accountants

Owosso, Michigan  
August 4, 2006

VILLAGE OF MORRICE  
COMBINED BALANCE SHEET - ALL FUNDS, ACCOUNT GROUPS,  
AND DISCRETELY REPORTED COMPONENT UNIT  
FEBRUARY 28, 2006

	<u>Proprietary Fund Types</u>				<u>Account Groups</u>		
ASSETS:	<u>General</u>	<u>Special Revenue</u>	<u>Internal Service</u>	<u>Enterprise</u>	<u>General Fixed Assets</u>	<u>Long Term Debt</u>	<u>Component Unit</u>
Cash	\$ 835	\$ 90,147	\$ 61,328	\$ 113,513	\$	\$	\$ 762
Accounts Rec.	17,709	12,982		66,642			
Due from Other Funds	36,679	7,996		21,714			
Fixed Assets (Net of Accum. Dep.)				2,292,702	945,768		
Issuing & Fin. Cost (Net of Accum. Amort.)				27,253			
Amount to be Provided	\$ <u>55,223</u>	\$ <u>111,125</u>	\$ <u>61,328</u>	\$ <u>2,521,824</u>	\$ <u>945,768</u>	\$ <u>0</u>	\$ <u>762</u>
LIABILITIES:							
Accts. Pay	\$ 29,290	\$ 15,631	\$ 1,853	\$ 632	\$	\$	\$
Due to Other Funds	25,376	14,679	23,000	3,334			
Accrued Int. Payable				12,982			
Long-Term Debt				640,000			
	\$ <u>54,666</u>	\$ <u>30,310</u>	\$ <u>24,853</u>	\$ <u>656,948</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
FUND EQUITY:							
Contribution in Aid of Constr. (Net of Accum. Amort.)	\$	\$	\$	\$ 1,461,360	\$	\$	\$
Investment in General Fixed Assets					945,768		
Retained Earnings				403,516			
Fund. Bal.	557	80,815	36,475				762
	\$ <u>55,223</u>	\$ <u>111,125</u>	\$ <u>61,328</u>	\$ <u>2,521,824</u>	\$ <u>945,768</u>	\$ <u>0</u>	\$ <u>762</u>

The accompanying notes are integral part of the financial statements.



VILLAGE OF MORRICE  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL TYPES  
AND DISCRETELY REPORTED COMPONENT UNIT  
YEAR ENDED FEBRUARY 28, 2006

REVENUES:	GENERAL	SPECIAL REVENUE	COMPONENT UNIT
Property Taxes	\$ 150,973	\$ 14,699	\$
Tax Admin. Fee	2,134		
State Shared Revenues	106,626	74,029	
Cable Franchise Fees	2,119		
Interest Income	1,104	1,292	13
Charges for Services		116,663	
Police & Liquor Control	1,249		
Licenses & Permits	3,261		
Fines	862		
Sale of Assets	500		
Assmts. & Misc.	3,962	4,968	438
TOTAL REVENUES	\$ 272,790	\$ 211,651	\$ 451
EXPENDITURES:			
Village Council	\$ 10,695	\$	\$
Elections	1,705		
Clerk	17,712		
Treasurer	2,100		
Halls	18,419		
Police	82,188		
Dept. of Public Works	6,354		
Library	2,304		
Zoning	4,472		
General Administrative	93,310		
Streets		72,951	
Transfer Station		92,524	
Senior Center		40,938	
DDA		0	0
TOTAL EXPENDITURES	\$ 239,259	\$ 206,413	\$ 0
EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES)	\$ 33,531	\$ 5,238	\$ 451
OTHER FINANCING SOURCES (USES)			
Transfer In	\$ 8,014	\$ 53,104	\$ 0
Transfer Out	-49,104	-32,014	0
TOTAL OTHER FINANCING SOURCES (USES)	\$ -41,090	\$ 21,090	\$ 0
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -7,559	\$ 26,328	\$ 451
Fund Balance March 1	8,116	54,487	311
FUND BALANCE FEBRUARY 28	\$ 557	\$ 80,815	\$ 762

The accompanying notes are in integral  
part of the financial statements.

VILLAGE OF MORRICE  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE AND COMPARISON OF BUDGET TO ACTUAL  
YEAR ENDED FEBRUARY 28, 2006

	GENERAL FUND			SPECIAL REVENUE FUND TYPES			COMPONENT UNIT		
REVENUES:	BUDGET	ACTUAL	BUDGET	BUDGET	ACTUAL	BUDGET	BUDGET	ACTUAL	BUDGET
Property Taxes	\$ 182,400	150,973	\$ 31,427	\$ 13,400	14,699	\$ (1,299)	\$	\$	\$
Tax Admin. Fee	0	2,134	(2,134)						
State Shared Rev.	95,000	106,626	(11,626)	76,000	74,029	1,971			
Fines	900	862	38						
Cable Franchise Fees	6,000	2,119	3,881						
Interest Income	1,200	1,104	96	895	1,292	(397)	0	13	(13)
Police & Liquor Control	1,200	1,249	(49)						
License & Permits	4,300	3,261	1,039						
Charges for Service				123,200	116,663	6,537			
Misc. Income	10,365	4,462	5,903	4,200	4,968	(768)	0	438	(438)
<b>TOTAL REVENUES</b>	<b>\$ 301,365</b>	<b>\$ 272,790</b>	<b>\$ 28,575</b>	<b>\$ 217,695</b>	<b>\$ 211,651</b>	<b>\$ 6,044</b>	<b>\$ 0</b>	<b>\$ 451</b>	<b>\$ (451)</b>
EXPENDITURES:									
Village Council	\$ 11,000	10,695	\$ 305	\$	\$	\$	\$	\$	\$
Elections	1,705	1,705	0						
Clerk	17,700	17,712	(12)						
Treasurer	2,300	2,100	200						
Halls	20,970	18,419	2,551						
Police	75,530	82,188	(6,658)						
Dept. of Public Works	4,590	6,354	(1,764)						
Library	2,255	2,304	(49)						
Zoning	4,405	4,472	(67)						
General Admin.	141,610	93,310	48,300						
Streets				162,800	72,951	89,849			
Transfer Station				105,100	92,524	12,576			
Senior Center				28,563	40,938	(12,375)			
DDA									
<b>TOTAL EXPENDITURES</b>	<b>\$ 282,065</b>	<b>\$ 239,259</b>	<b>\$ 42,806</b>	<b>\$ 296,463</b>	<b>\$ 206,413</b>	<b>\$ 90,050</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
REVENUES OVER (UNDER) EXPENDITURES	\$ 19,300	\$ 33,531	\$ (14,231)	\$ (78,768)	\$ 5,238	\$ (84,006)	\$ 0	\$ 451	\$ (451)
OTHER SOURCES (USES) OF FUNDS:									
Operating Transfers In	\$ 0	\$ 8,014	\$ (8,014)	\$ 14,500	\$ 53,104	\$ (38,604)	\$ 0	\$ 0	\$ 0
Operating Transfers Out	(19,300)	(49,104)	29,804	(14,500)	(32,014)	17,514	0	0	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 0	(7,559)	\$ 7,559	\$ (78,768)	26,328	\$ (105,096)	\$ 0	451	\$ (451)
Fund Balance 03/01/05		8,116			54,487			311	
Fund Balance 02/28/06		\$ 557			\$ 80,815			\$ 762	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE  
COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES  
FEBRUARY 28, 2006

	PROPRIETARY FUND TYPES	
	ENTERPRISE	INTERNAL SERVICE
<b>OPERATING REVENUES:</b>		
Charges for Services	\$ 154,870	\$ 32,405
Sewer Hook-Ups	13,120	
Interest Income	3,863	168
Land Rent & Misc.	4,860	
	<u>\$ 176,713</u>	<u>\$ 32,573</u>
<b>OPERATING EXPENSES:</b>		
Salaries	\$ 31,283	\$ 4,539
Bank Fees	0	170
Operating Supplies	4,823	1,578
Repairs & Maintenance	9,316	2,243
Equipment Rental	0	
Professional & Contracted Serv.	8,250	
Utilities & Telephone	7,073	
Audit and Legal	3,650	
Interest Expense	39,875	2
Amortization	2,096	
Depreciation	56,468	
Transportation	0	5,830
Insurance	4,500	
Equipment	0	
Lab Testing & Engineering	262	
Principal on Long-Term Debt	0	465
<b>TOTAL EXPENSES</b>	<u>\$ 167,596</u>	<u>\$ 14,827</u>
Operating Income (Loss)	\$ 9,117	\$ 17,746
<b>OTHER FINANCIAL SOURCES:</b>		
Transfers In	\$ 25,000	\$ 0
Transfers Out	0	-5,000
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENSES</b>	<u>\$ 34,117</u>	<u>\$ 12,746</u>
<b>Non-Operating Revenues:</b>		
Amortization of Contribution in Aid of Construction	47,140	
<b>NET INCOME</b>	<u>\$ 81,257</u>	<u>\$ 12,746</u>
Retained Earning March 1	322,259	23,729
<b>RETAINED EARNING FEBRUARY 28</b>	<u><u>\$ 403,516</u></u>	<u><u>\$ 36,475</u></u>

The accompanying notes are an integral  
part of the financial statements.

VILLAGE OF MORRICE  
STATEMENT OF CASH FLOW  
ALL PROPRIETARY FUNDS  
YEAR ENDED FEBRUARY 28, 2006

	PROPRIETARY FUND TYPES	
	ENTERPRISE	INTERNAL SERVICE
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income (Loss)	\$ 81,257	\$ 12,746
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	56,468	
Amortization-Financing Costs	2,096	
Amortization-Contribution in Aid of Construction	-47,140	
(Increase) Decrease in Accounts Receivable	-9,494	
(Increase) Decrease in Due from Other Funds	-21,713	
Increase (Decrease) in Accounts Payable	-1,017	1,556
(Increase) Decrease in Due to Other Funds	-17,319	22,159
<b>NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>	<b>\$ 43,138</b>	<b>\$ 36,461</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase (Decrease) in Bonds Payable	\$ -25,000	\$
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Purchase of Assets	\$ -424	\$
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 17,714</b>	<b>\$ 36,461</b>
<b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>	<b>95,799</b>	<b>24,867</b>
<b>CASH AND CASH EQUIVALENTS END OF YEAR</b>	<b>\$ 113,513</b>	<b>\$ 61,328</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash Paid During the Year for:		
Interest	\$ 39,875	\$ 2

**DISCLOSURE OF ACCOUNTING POLICY**  
with a maturity of three months or less to be cash equivalents.

The accompanying notes are integral part of the financial statements.

VILLAGE OF MORRICE  
ENTERPRISE FUND  
DEBT SERVICE CHARGES TO MATURITY  
ON BONDED INDEBTEDNESS  
FEBRUARY 28, 2006

<u>YEAR ENDED</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>DEBT SERVICE CHARGES</u>
2006	\$ 25,000	\$ 38,945	\$ 63,945
2007	30,000	37,545	97,545
2008	30,000	35,835	65,835
2009	30,000	34,095	64,095
2010	35,000	32,325	67,325
Thereafter	490,000	384,177	874,177
	<u>\$ 640,000</u>	<u>\$ 562,922</u>	<u>\$ 1,202,922</u>

The accompanying notes are an integral  
part of the financial statements.

**VILLAGE OF MORRICE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 28, 2006**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Morrice conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**FUND ACCOUNTING**

The accounting of the Village is organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statement in this report, into generic fund types and broad fund categories as follows:

**GOVERNMENT FUNDS**

**General Fund** – The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – Special Revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

**Capital Projects Funds** – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**PROPRIETARY FUNDS**

**Enterprise Funds** – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**USE OF ESTIMATES**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumption affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

VILLAGE OF MORRICE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**FIXED ASSETS**

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Group, rather than in governmental funds. Public Domain ("infrastructure") general fixed assets consisting of certain improvements including buildings, but other than roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

This account group is not a fund. It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (Net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

VILLAGE OF MORRICE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIXED ASSETS (CONTINUED)

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives used are as follows:

Infrastructure (Enterprise Funds)	39 – 50 Years
Equipment	5 – 10 Years

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting government and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception of this general rule is accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued.

All proprietary funds are accounted for using the accrued basis method of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.



VILLAGE OF MORRICE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2006

NOTES A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

**BUDGETS AND BUDGETARY ACCOUNTING**

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in the Village to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted through passage of an ordinance.
4. The clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds and Enterprise Funds.
6. Budgets for the general, special revenue and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**CASH AND INVESTMENTS**

Investments are stated at cost or amortized cost, which approximate market. Cash includes amounts in demand deposits.

**SHORT-TERM INTERFUND RECEIVABLE/PAYABLES**

Short-term interfund loans are classified as "due from other funds" or "due to other funds" on the balance sheet. Transactions occurring between individual funds for goods provided or services rendered are also classified as "due to other funds" or "due from other funds" on the balance sheet.

**RESTRICTED ASSETS**

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for repayment are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

VILLAGE OF MORRICE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2006

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**ENCUMBRANCES**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting-under which purchase orders, contracts or other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation-is utilized in the government fund types. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. There are no significant encumbrances at year end.

**COMPENSATED ABSENCES**

No liability is accrued at February 28, 2006 as it is less than one year's liability.

**LONG-TERM OBLIGATIONS**

The portion of long-term debt expected to be financed from expendable available financial resources is recognized as a liability of a governmental fund when due. The remaining portion of such obligation is reported in the general long-term debt account group. Long-term liabilities are expected to be financed from proprietary fund operations are accounted for in those funds.

**PROPERTY TAXES**

Property taxes attach an enforceable lien on property by the county. Taxes are levied on June 30 and payable on October 20. The Township of Perry bills and collects the Village's property taxes. Property tax revenues are recognized when levied to the extent that they result in current receivables. The Village is permitted by the Municipal Finance law of the State to levy taxes up to 15 mills total. The Village Council has allocated 12.5195 mills for governmental services.

**NOTE B – REPORTING ENTITY**

For financial reporting purposes, in conformance with NCGA Statement No. 3, Defining the Governmental Reporting Entity, the Village of Morrice includes all funds, account group, agencies, boards, commissions, and authorities that are controlled by or dependent on the Village's executive or legislative branches (the Village Mayor or the Council, respectively). Control by or dependence on the Village was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligation of the Village to finance any deficits that may occur or receipt of significant subsidies from the Village.

Based on the foregoing criteria, the Downtown Development Authority is included in the Village's annual report.

VILLAGE OF MORRICE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2006

**NOTE C – CHANGES IN GENERAL FIXED ASSETS**

A summary of changes in general fixed assets follows:

	2-28-05 BALANCES	INCREASES	DECREASES	2-28-06 BALANCES
Land	\$ 10,918	\$	\$	\$ 10,918
Buildings and Improvement	607,883			607,883
Machinery and Equipment	243,243	3,111		246,354
Vehicles	90,613		(10,000)	80,613
	<u>\$ 952,657</u>	<u>\$ 3,111</u>	<u>\$ (10,000)</u>	<u>\$ 945,768</u>

**NOTE D- SANITARY SEWER FUND OBLIGATIONS**

On September 10, 1996, the Village of Morrice refinanced existing bonds payable and generated additional funding for the operation of its Sanitary Sewer System. These bonds mature on November 1, of each year and are payable with interest from 3.80% to 5.75% per annum.

The maturities of the bonds are as follows:

YEAR ENDED JUNE 30,	PRINCIPAL AMOUNT DUE
2006	\$ 25,000
2007	30,000
2008	30,000
2009	30,000
2010	35,000
Thereafter	490,000
	<u>\$ 640,000</u>

VILLAGE OF MORRICE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2006

**NOTE E – CASH AND CERTIFICATES OF DEPOSIT**

The Village's deposits at February 28, 2006, consisted of cash and certificate of deposit at two financial institutions:

<u>INSTITUTION A</u>	<u>AMOUNT</u>	<u>FDIC INSURED</u>	<u>UNINSURED</u>
Demand Deposits	\$ 183,389	\$ 100,000	\$ 83,389
	<u>\$ 183,389</u>	<u>\$ 100,000</u>	<u>\$ 83,389</u>
 <u>INSTITUTION B</u>			
Time Deposits	83,196	83,196	0
TOTALS	<u>\$ 266,585</u>	<u>\$ 183,196</u>	<u>\$ 83,389</u>

**NOTE F – INTERFUND RECEIVABLES AND PAYABLES**

At February 28, 2006, individual interfund receivables and payables were:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
Senior Center	\$ 789	\$
Sewer	21,714	3,334
Municipal Streets	2,873	557
General Fund	36,679	25,376
Major Streets	1,000	
Transfer Station	3,334	11,412
Local Streets		2,710
Motor Vehicle		23,000
	<u>\$ 66,389</u>	<u>\$ 66,389</u>

**NOTE G – DEFERRED COMPENSATION PLAN**

On October 17, 2000, the Village established a deferred compensation package under IRS Code Section 457. This plan permits voluntary contributions to the plan. The Village matches contributions to a maximum of 6% of compensation. The Village contribution was \$4,744 during the year ended February 28, 2006.

VILLAGE OF MORRICE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FEBRUARY 28, 2006

**NOTE H – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

P.A. 621, of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the township for these budgetary funds were adopted to the activity level.

During the year ended February 28, 2006, the Township incurred expenditures in certain budgetary line items which were in excess of the amounts appropriated as follows:

	<u>Total Appropriations</u>		<u>Amount of Expenditures</u>		<u>Budget Variance</u>
General - Clerk	\$ 17,700	\$	17,712	\$	(12)
General - Police	75,530		82,188		(6,658)
General - DPW	4,590		6,354		(1,764)
General - Library	2,255		2,304		(49)
General - Zoning	4,405		4,472		(67)
General - Transfers Out	19,300		49,104		(29,804)
Major Streets - Transfers Out	14,500		30,725		(16,225)
Local Streets - Transfers Out	0		1,289		(1,289)
Senior Center	28,563		40,938		(12,375)
MVPF – Transfers Out	0		5,000		(5,000)

**FINANCIAL STATEMENTS  
OF  
INDIVIDUAL FUNDS**

## GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

VILLAGE OF MORRICE  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
FEBRUARY 28, 2006 AND 2005

ASSETS

	<u>2006</u>	<u>2005</u>
Cash in Bank	\$ 835	\$ 19,628
Due from Other Funds	36,679	32,409
Delinquent Property Taxes Receivable	225	1,310
Cable TV Royalty Receivable	2,119	2,260
State Revenue Sharing Receivable	<u>15,365</u>	<u>0</u>
	\$ <u>55,223</u>	\$ <u>55,607</u>

LIABILITIES AND FUND BALANCE

Accounts Payable	\$ 29,290	\$ 18,710
Due to Other Funds	<u>25,376</u>	<u>28,781</u>
	\$ 54,666	\$ 47,491
 Fund Balance	 <u>557</u>	 <u>8,116</u>
	\$ <u>55,223</u>	\$ <u>55,607</u>

The accompanying notes are an integral part of the financial statements.



VILLAGE OF MORRICE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
YEARS ENDED FEBRUARY 28, 2006 AND 2005

		<u>2006</u>		<u>2005</u>
	<u>AMENDED</u> <u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u> <u>(OVER)</u> <u>UNDER</u> <u>BUDGET</u>	<u>ACTUAL</u>
<b>REVENUES:</b>				
Current Property Taxes	\$ 182,400	\$ 150,973	\$ 31,427	\$ 144,212
Tax Admin. Fee	0	2,134	(2,134)	1,851
State Shared Revenues	95,000	106,626	(11,626)	90,765
Cable Franchise Fees	6,000	2,119	3,881	2,260
License & Permits	4,300	3,261	1,039	2,342
Police Trng., Liq. Con.	1,200	1,249	(49)	633
Fines	900	862	38	1,330
Interest Income	1,200	1,104	96	369
Misc. of Assets	10,365	3,962	6,403	4,601
Sale of Assets	0	500	(500)	0
<b>TOTAL REVENUES</b>	<b>\$ 301,365</b>	<b>\$ 272,790</b>	<b>\$ 28,575</b>	<b>\$ 248,363</b>
<b>EXPENDITURES:</b>				
Village Council:				
Salaries	\$	\$ 8,975		8,440
Prof. Services		882		0
Other		838		2,136
<b>TOTAL VILLAGE COUNCIL</b>	<b>\$ 11,000</b>	<b>\$ 10,695</b>	<b>305</b>	<b>10,576</b>
Elections:				
Salaries	\$	\$ 1,705	\$	183
Printing & Publishing		0		0
<b>TOTAL ELECTIONS</b>	<b>\$ 1,705</b>	<b>\$ 1,705</b>	<b>\$ 0</b>	<b>\$ 183</b>
Clerk:				
Salaries	\$	\$ 13,323	\$	14,966
Supplies/Other		4,389		435
<b>TOTAL CLERK</b>	<b>\$ 17,700</b>	<b>\$ 17,712</b>	<b>\$ (12)</b>	<b>\$ 15,401</b>
Treasurer:				
Salaries	\$	\$ 2,100	\$	1,925
Supplies		0		437
<b>TOTAL TREASURER</b>	<b>\$ 2,300</b>	<b>\$ 2,100</b>	<b>\$ 200</b>	<b>\$ 2,362</b>

The accompanying notes are an integral  
Part of the financial statements.

VILLAGE OF MORRICE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
YEARS ENDED FEBRUARY 28, 2006 AND 2005

		<u>2006</u>		<u>2005</u>
	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL (OVER) UNDER BUDGET</u>	<u>ACTUAL</u>
<b>EXPENDITURES:</b>				
Halls:				
Lease	\$	\$ 3,094	\$	\$
Capital Outlay		736		2,972
Supplies		2,063		5,191
Utilities & Telephone		4,284		4,800
Repairs & Maintenance		4,120		5,701
Salaries		4,122		
<b>TOTAL HALLS</b>	<b>\$ 20,970</b>	<b>\$ 18,419</b>	<b>\$ 2,551</b>	<b>\$ 18,664</b>
Police:				
Salary	\$	\$ 65,395	\$	\$ 67,096
Training		560		484
Operating Supplies		2,352		4,255
Telephone		1,668		2,023
Transportation		7,329		11,000
Technology		1,778		
Equipment		3,106		
<b>TOTAL POLICE</b>	<b>\$ 75,530</b>	<b>\$ 82,188</b>	<b>\$ (6,658)</b>	<b>\$ 84,858</b>
Dept. of Public Works:				
Salaries	\$	\$ 2,657	\$	\$ 16,927
Contract Labor		0		0
Supplies		3,697		3,413
Capital Outlay		0		0
<b>TOTAL DEPT. OF PUBLIC WORKS</b>	<b>\$ 4,590</b>	<b>\$ 6,354</b>	<b>\$ (1,764)</b>	<b>\$ 20,340</b>
Library:				
Utilities & Telephone	\$	\$ 2,304	\$	\$ 2,281
<b>TOTAL LIBRARY</b>	<b>\$ 2,255</b>	<b>\$ 2,304</b>	<b>\$ (49)</b>	<b>\$ 2,281</b>
Zoning:				
Salaries	\$	\$ 4,339	\$	\$ 4,243
Prof. Fees		100		0
Printing & Supp.		33		0
<b>TOTAL ZONING</b>	<b>\$ 4,405</b>	<b>\$ 4,472</b>	<b>\$ (67)</b>	<b>\$ 4,243</b>

The accompanying notes are an integral  
part of the financial statements.

VILLAGE OF MORRICE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE (CONTINUED)  
YEARS ENDED FEBRUARY 28, 2006 AND 2005

		<u>2006</u>		<u>2005</u>
	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL (OVER) UNDER BUDGET</u>	<u>ACTUAL</u>
<b>EXPENDITURES:</b>				
General Administrative:				
Drains	\$ 8,500	\$ 8,444	\$ 56	\$ 1,694
Worker's Comp. Ins	5,117	5,117	0	5,231
Insurance	16,750	14,420	2,330	11,955
Payroll Taxes	41,900	21,299	20,601	15,985
Pension	5,000	4,744	256	4,995
Health Insurance	0	0	0	0
Legal, Accounting, & Eng.	38,950	28,733	10,217	49,161
Street Lights	10,500	9,643	857	10,478
S.U.I.	0	0	0	2,218
Miscellaneous	14,893	910	13,983	10,503
TOTAL GENERAL ADM.	\$ 141,610	\$ 93,310	\$ 48,300	\$ 112,220
TOTAL EXPENDITURES	\$ 282,065	\$ 239,259	\$ 42,806	\$ 271,128
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	\$ 19,300	\$ 33,531	\$ (14,231)	\$ (22,765)
 OTHER FINANCING SOURCE				
Transfers In	0	8,014	(8,014)	9,600
Transfers Out	(19,300)	(49,104)	(29,804)	(6,000)
	\$ (19,300)	\$ (41,090)	\$ (21,790)	\$ 3,600
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES				
	\$ 0	\$ (7,559)	\$ 7,559	\$ (19,165)
 Fund Balance March 1,				
		8,116		27,281
 FUND BALANCE FEBRUARY 28,				
		\$ 557		\$ 8,116

The accompanying notes are an integral part of the financial statements.

## **SPECIAL REVENUE FUNDS**

### **MAJOR STREET FUND**

Major Street Fund is used to receive all Major Street monies paid to the Village by the state, to account for monies received from special tax levies for street improvement purposes, to account for construction, maintenance and other authorized operation to all streets classified as Major Street.

### **LOCAL STREET FUND**

Local Street Fund is used to receive all Local Street monies paid to the Village by the state, to account for monies received from special tax levies for street improvement purposes, to account for monies received from General Fund contributions and to account for construction, maintenance and other authorized operations to all streets classified as Local Street.

### **MUNICIPAL STREET TAX FUND**

Municipal Street Tax Fund is used to account for taxes segregated for street oriented operations.

### **TRANSFER STATION**

This fund is used to account for monies to operate the refuse collection station.

### **SENIOR CENTER**

This fund is to account for the operations of the Morrice Senior Center.

VILLAGE OF MORRICE  
COMPARATIVE COMBINING BALANCE SHEET  
ALL SPECIAL REVENUE FUNDS  
FEBRUARY 28, 2006 AND 2005

2006

2005

	MAJOR STREET FUND	LOCAL STREET FUND	MUNICIPAL STREET FUND	TRANSFER STATION FUND	SENIOR CENTER FUND	COMBINED	COMBINED
<b>ASSETS:</b>							
Cash in Bank	\$ 23,176	\$ 10,643	\$ 35,034	\$ 19,825	\$ 1,469	\$ 90,147	\$ 49,986
Due from Other Funds	1,000	0	2,873	3,334	789	7,996	28,781
Other Rec.	117	219	11,246	0	1,400	12,982	336
	<u>\$ 24,293</u>	<u>\$ 10,862</u>	<u>\$ 49,153</u>	<u>\$ 23,159</u>	<u>\$ 3,658</u>	<u>\$ 111,125</u>	<u>\$ 79,103</u>
Accts. Payable	\$ 2,114	\$	\$	\$ 11,405	\$ 2,112	\$ 15,631	\$ 16,699
Due to Other Funds		2,710	557	11,412	0	14,679	7,917
Fund Balance	<u>22,179</u>	<u>8,165</u>	<u>48,596</u>	<u>342</u>	<u>1,546</u>	<u>80,815</u>	<u>54,487</u>
	<u>\$ 24,293</u>	<u>\$ 10,862</u>	<u>\$ 49,153</u>	<u>\$ 23,159</u>	<u>\$ 3,658</u>	<u>\$ 111,125</u>	<u>\$ 79,103</u>

The accompanying notes are an integral  
part of the financial statements.

VILLAGE OF MORRICE  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
ALL SPECIAL REVENUE FUNDS  
YEARS ENDED FEBRUARY 28, 2006 AND 2005

	<u>2006</u>					<u>2005</u>	
	<u>MAJOR STREET FUND</u>	<u>LOCAL STREET FUND</u>	<u>MUNICIPAL STREET FUND</u>	<u>TRANSFER STATION FUND</u>	<u>SENIOR CENTER FUND</u>	<u>COMBINED</u>	<u>COMBINED</u>
REVENUES:							
Property Taxes	\$	\$	\$ 14,699	\$	\$	\$ 14,699	\$ 13,873
State Revenue Sharing	58,063	15,966				74,029	77,586
Charges for Serv.				101,974	14,689	116,663	91,654
Interest Income	522	191	225	248	106	1,292	781
Assmts. & Misc.	2,468				2,500	4,968	33,221
TOTAL REVENUE	\$ 61,053	\$ 16,157	\$ 14,924	\$ 102,222	\$ 17,295	\$ 211,651	\$ 217,115
EXPENDITURES:							
Salaries	\$ 15,886	\$ 13,636	\$	\$ 28,640	\$ 19,104	\$ 77,266	\$ 61,149
Miscellaneous	4,213	713		3,077	1,304	9,307	2,313
Operating Supp.	5,983	115		9,666	3,260	19,024	15,838
Pav. & Sidewalks							40,586
Equip. Rental	11,885	20,520				32,405	19,969
Hauling				49,776		49,776	51,151
Util. & Tele.				1,345	13,554	14,899	7,428
Repairs				20	3,716	3,736	5,114
Bank Fees						0	8
TOTAL EXPENDITURES	\$ 37,967	\$ 34,984	\$ 0	\$ 92,524	\$ 40,938	\$ 206,413	\$ 203,556
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 23,086	\$ (18,827)	\$ 14,924	\$ 9,698	\$ (23,643)	\$ 5,238	\$ 13,559
OTHER FINANCING SOURCES (USES):							
Transfers In	\$	\$ 29,000	\$	\$	\$ 24,104	\$ 53,104	\$ 10,000
Transfers Out	(30,725)	(1,289)			0	(32,014)	(13,000)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (30,725)	\$ 27,711	\$ 0	\$ 0	\$ 24,104	\$ 21,090	\$ (3,000)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (7,639)	\$ 8,884	\$ 14,924	\$ 9,698	\$ 461	\$ 26,328	\$ 10,559
Fund Bal. March 1,	29,818	(732)	33,672	(9,356)	1,085	54,487	43,928
FUND BALANCE FEBRUARY 28,	\$ 22,179	\$ 8,152	\$ 48,596	\$ 342	\$ 1,546	\$ 80,815	\$ 54,487

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE  
MAJOR STREET FUND  
COMPARATIVE BALANCE SHEET  
FEBRUARY 28, 2006 AND 2005

ASSETS

	<u>2006</u>	<u>2005</u>
Cash in Bank	\$ 23,176	\$ 18,483
Other Receivable	117	117
Due from Other Funds	<u>1,000</u>	<u>11,338</u>
	\$ <u>24,293</u>	\$ <u>29,938</u>

LIABILITIES AND FUND BALANCE

Due to Other Funds	\$ 0	\$ 0
Accounts Payable	2,114	120
Fund Balance	<u>22,179</u>	<u>29,818</u>
	\$ <u>24,293</u>	\$ <u>29,938</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE  
MAJOR STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEARS ENDED FEBRUARY 28, 2006 AND 2005

	<u>2006</u>		<u>2005</u>	
	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL (OVER) UNDER BUDGET</u>	<u>ACTUAL</u>
REVENUES:				
State Shared Rev.	\$ 60,000	\$ 58,063	\$ 1,937	\$ 60,873
Interest Income	360	522	(162)	445
Assmts. & Sales	1,700	2,468	(768)	1,241
Road Comm. Grant	0	0	0	18,696
TOTAL REVENUES	\$ 62,060	\$ 61,053	\$ 1,007	\$ 81,255
EXPENDITURES:				
Salaries	\$	\$ 15,886	\$	\$ 18,927
Tree Removal		4,213		0
Operating Supplies		5,983		4,115
Paving & Sidewalks		0		40,586
Equipment Rentals		11,885		6,414
TOTAL EXPENDITURES	\$ 107,060	\$ 37,967	\$ 69,093	\$ 70,042
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (45,000)	\$ 23,086	\$ (68,086)	\$ 11,213
OTHER FINANCING USES:				
Transfers Out	(14,500)	(30,725)	16,225	(12,500)
EXCESS OF REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (59,500)	\$ (7,639)	\$ (51,861)	\$ (1,287)
Fund Balance March 1,		29,818		31,105
FUND BALANCE FEBRUARY 28,		\$ 22,179		\$ 29,818

The accompanying notes are an integral  
part of the financial statements.



VILLAGE OF MORRICE  
LOCAL STREET FUND  
COMPARATIVE BALANCE SHEET  
FEBRUARY 28, 2006 AND 2005

ASSETS

	<u>2006</u>	<u>2005</u>
Cash in Bank	\$ 10,643	\$ 2,048
Other Receivables	<u>219</u>	<u>219</u>
	\$ <u>10,862</u>	\$ <u>2,267</u>

LIABILITIES AND FUND BALANCE

Due to Other Funds	\$ 2,710	\$ 2,999
Fund Balance	<u>8,152</u>	<u>(732)</u>
	\$ <u>10,862</u>	\$ <u>2,267</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE  
LOCAL STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEARS ENDED FEBRUARY 28, 2006 AND 2005

	<u>2006</u>		<u>2005</u>	
	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL (OVER) UNDER BUDGET</u>	<u>ACTUAL</u>
REVENUES:				
State Shared Rev.	\$ 16,000	\$ 15,966	\$ 34	\$ 16,713
Interest Earned	170	191	(21)	72
Miscellaneous	0	0	0	99
TOTAL REVENUES	\$ 16,170	\$ 16,157	\$ 13	\$ 16,884
EXPENDITURES:				
Salaries	\$	\$ 13,636	\$	\$ 13,442
Supplies		115		577
Equipment Rentals		20,520		13,555
Trees		713		0
Bank Fees		0		7
TOTAL EXPENDITURES	\$ 42,180	\$ 34,984	\$ 7,196	\$ 27,581
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (26,010)	\$ (18,827)	\$ (7,183)	\$ (10,697)
OTHER FINANCING USES:				
Transfers In	\$ 14,500	\$ 29,000	\$ (14,500)	\$ 10,000
Transfers Out	0	(1,289)	1,289	(500)
	\$ 14,500	\$ 27,711	\$ (13,211)	\$ 9,500
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	\$ (11,510)	\$ 8,884	\$ (20,394)	\$ (1,197)
Fund Balance March 1,		(732)		465
FUND BALANCE FEBRUARY 28,		\$ 8,152		\$ (732)

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE  
MUNICIPAL STREET FUND  
COMPARATIVE BALANCE SHEET  
FEBRUARY 28, 2006 AND 2005

ASSETS

	<u>2006</u>	<u>2005</u>
Cash in Bank	\$ 35,034	\$ 16,229
Other Receivables	2,873	17,443
Accounts Rec.	<u>11,246</u>	
	<u>\$ 49,153</u>	<u>\$ 33,672</u>

LIABILITIES AND FUND BALANCE

Due to Other Funds	\$ 557	\$ 0
Fund Balance	<u>48,596</u>	<u>33,672</u>
	<u>\$ 49,153</u>	<u>\$ 33,672</u>

The accompanying notes are an integral  
part of the financial statements.

VILLAGE OF MORRICE  
MUNICIPAL STREET FUND  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEARS ENDED FEBRUARY 28, 2006 AND 2005

	<u>2006</u>		<u>2005</u>	
	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL (OVER) UNDER BUDGET</u>	<u>ACTUAL</u>
REVENUES:				
Property Taxes	\$ 13,400	\$ 14,699	\$ (1,299)	\$ 13,873
Interest Earned	160	225	(65)	133
TOTAL REVENUES	\$ 13,560	\$ 14,924	\$ (1,364)	\$ 14,006
EXPENDITURES:				
Paving	\$	\$	\$	\$ 0
Bank Fees	0	0	0	1
TOTAL EXPENDITURES	\$ 13,560	\$ 0	\$ 13,560	\$ 1
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 0	\$ 14,924	\$ (14,924)	\$ 14,005
Fund Balance March 1,		<u>33,672</u>		<u>19,667</u>
FUND BALANCE FEBRUARY 28,		\$ <u>48,596</u>		\$ <u>33,672</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE  
TRANSFER STATION FUND  
COMPARATIVE BALANCE SHEET  
FEBRUARY 28, 2006 AND 2005

ASSETS

	<u>2006</u>	<u>2005</u>
Cash in Bank	\$ 19,825	\$ 5,483
Due from Other Funds	<u>3,334</u>	<u>0</u>
	<u>\$ 23,159</u>	<u>\$ 5,483</u>

LIABILITIES AND FUND BALANCE

Accounts Payable	\$ 11,405	\$ 11,133
Due to Other Funds	<u>11,412</u>	<u>3,706</u>
TOTAL LIABILITIES	\$ 22,817	\$ 14,839
 Fund Balance	 <u>342</u>	 <u>(9,356)</u>
	<u>\$ 23,159</u>	<u>\$ 5,483</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE  
TRANSFER STATION FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEARS ENDED FEBRUARY 28, 2006 AND 2005

	<u>2006</u>		<u>2005</u>	
	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL (OVER) UNDER BUDGET</u>	<u>ACTUAL</u>
REVENUES:				
Charges for Services	\$ 85,000	\$ 83,837	\$ 1,163	\$ 75,934
Sales of Bags	20,000	18,137	1,863	15,720
Interest Income	100	248	(148)	93
Misc. Income	0	0	0	43
TOTAL REVENUES	\$ 105,100	\$ 102,222	\$ 2,878	\$ 91,790
EXPENDITURES:				
Salaries	\$	\$ 28,640	\$	\$ 24,569
Miscellaneous		3,077		2,313
Supplies		9,666		9,277
Hauling		49,776		51,151
Utilities & Telephone		1,345		1,413
Repairs		20		5,114
TOTAL EXPENDITURES	\$ 105,100	\$ 92,524	\$ 12,576	\$ 93,837
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 0	\$ 9,698	\$ (9,698)	\$ (2,047)
OTHER FINANCING USES:				
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Transfers Out	0	0	0	0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	\$ 0	\$ 9,698	\$ (9,698)	\$ (2,047)
Fund Balance March 1,		(9,356)		(7,309)
FUND BALANCE FEBRUARY 28,		\$ 342		\$ (9,356)

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE  
SENIOR CENTER  
COMPARATIVE BALANCE SHEET  
FEBRUARY 28, 2006 AND 2005

ASSETS

	<u>2006</u>	<u>2005</u>
Cash	\$ 1,469	\$ 7,743
Accounts Rec.	1,400	
Due from General	789	
	<u>\$ 3,658</u>	<u>\$ 7,743</u>

LIABILITIES AND FUND BALANCE

Due to Other Funds	\$ 0	\$ 4,211
Accounts Payable	2,112	2,447
Fund Balance	1,546	1,085
	<u>\$ 3,658</u>	<u>\$ 7,743</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE  
SENIOR CENTER  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL  
YEARS ENDED FEBRUARY 28, 2006 AND 2005

	<u>2006</u>		<u>2005</u>	
	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL (OVER) UNDER BUDGET</u>	<u>ACTUAL</u>
REVENUES:				
Other Income	\$ 2,500	\$ 2,500	\$ 0	\$
Initial Deposit	0	0	0	9,914
Rentals	18,200	14,689	3,511	3,228
Interest Income	105	106	(1)	38
TOTAL REVENUES	\$ 20,805	\$ 17,295	\$ 3,510	\$ 13,180
EXPENDITURES:				
Capital Outlay	\$	\$ 1,304	\$	\$
Repairs & Maintenance		3,716		
Telephone & Utilities		13,554		6,015
Office Expenses		3,260		1,869
Salaries		19,104		4,211
TOTAL EXPENDITURES	\$ 28,563	\$ 40,938	\$ (12,375)	\$ 12,095
EXCESS OF EXPENDITURES OVER REVENUES	\$ (\$7,758)	\$ (23,643)	\$ 15,885	\$ 1,085
OTHER FINANCING USES:				
Transfers In	\$ 0	\$ 24,104	\$ (24,104)	\$ 0
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	\$ (7,758)	\$ 461	\$ (8,219)	\$ 1,085
Fund Balance March 1,		\$ 1,085		\$ 1,085
FUND BAL. FEBRUARY 28		\$ 1,546		

The accompanying notes are an integral part of the financial statements.



## INTERNAL SERVICE FUNDS

### MOTOR VEHICLE POOL FUND

Motor Vehicle Pool Fund is used to account for intergovernmental charges for operating expenses of vehicles of the police and Department of Public Works. Disbursements from this fund pay those various operating expenses. Accumulation of monies in this fund will be used for replacement of such vehicles.

VILLAGE OF MORRICE  
MOTOR VEHICLE POOL FUND  
COMPARATIVE BALANCE SHEET  
FEBRUARY 28, 2006 AND 2005

ASSETS

	<u>2006</u>	<u>2005</u>
Cash in Bank	\$ <u>61,328</u>	\$ <u>24,867</u>

LIABILITIES AND RETAINED EARNINGS

Due to Other Funds	\$ 23,000	\$ 841
Accounts Payable	<u>1,853</u>	<u>297</u>
	\$ 24,835	\$ 1,138
 Retained Earnings	 <u>36,475</u>	 <u>23,729</u>
	\$ <u>61,328</u>	\$ <u>24,867</u>

The accompanying notes are an integral  
part of the financial statements.

VILLAGE OF MORRICE  
MOTOR VEHICLE POOL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND ANALYSIS OF CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEARS ENDED FEBRUARY 28, 2006 AND 2005

	<u>2006</u>			<u>2005</u>	
	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL (OVER) UNDER BUDGET</u>	<u>ACTUAL</u>	
OPERATING REVENUES:					
Equipment Rentals	\$ 33,000	\$ 32,405	\$ 595	\$ 19,969	
Fuel Tax				0	
Interest Income	150	168	(18)	142	
TOTAL REVENUES	\$ 33,150	\$ 32,573	\$ 577	\$ 20,111	
OPERATING EXPENSES:					
Salaries	\$	\$ 4,539	\$	\$ 4,053	
Bank Fees		170		0	
Operating Supplies		1,578		1,911	
Transportation		5,830		5,230	
Repair & Maintenance		2,243		2,110	
Equipment		0		7,921	
Interest on Long-Term Debt		2		162	
Audit		0		500	
Insurance		0		2,000	
Princ. On Long-Term Debt		465		5,094	
TOTAL EXPENSES	\$ 33,150	\$ 14,827	\$ 18,323	\$ 28,981	
NET INCOME (LOSS)	\$ 0	\$ 17,746	\$ (17,746)	\$ (8,870)	
OTHER FINANCING SOURCES:					
Transfers Out	0	(5,000)	5,000	5,000	
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENSES	\$ 0	\$ 12,746	\$ (12,746)	\$ (3,870)	
Retained Earnings March 1,		23,729		27,599	
RETAINED EARNINGS FEBRUARY 28,		\$ 36,475		\$ 23,729	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE  
MOTOR VEHICLE POOL FUND  
STATEMENT OF CASH FLOWS  
YEARS ENDED FEBRUARY 28, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ 12,746	\$ (3,870)
Increase (Decrease) in Payable	1,556	189
Increase (Decrease) in Due to Other Funds	<u>22,159</u>	<u>250</u>
NET CASH PROVIDED BY (USED) OPERATING ACTIVITIES	\$ 36,461	\$ (3,431)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>24,867</u>	<u>28,298</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ <u>61,328</u>	\$ <u>24,867</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ <u>2</u>	\$ <u>162</u>

**DISCLOSURE OF ACCOUNTING POLICY:**

For purposes of the Statement of Cash Flows, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of the financial statements.

## **ENTERPRISE FUND**

**Sanitary Sewer Fund – To account for the provision of sewer services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration (utility director), operations, maintenance, financing and related debt services, and billing and collection.**

VILLAGE OF MORRICE  
SEWER FUND  
COMPARATIVE BALANCE SHEET  
FEBRUARY 28, 2006 AND 2005

ASSETS		<u>2006</u>	<u>2005</u>
<b>CURRENT ASSETS:</b>			
Cash	\$	30,317	\$ 15,115
Accounts Receivable		62,992	46,653
Due from Other Funds		<u>21,714</u>	
	\$	115,023	\$ 61,768
<b>RESTRICTED ASSETS:</b>			
Cash - Bond Reserve		83,196	80,684
<b>LONG-TERM ASSETS:</b>			
Accounts Receivable		3,650	10,495
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Sewer Project	\$	3,417,472	\$ 3,417,048
Accumulated Depreciation		<u>(1,124,770)</u>	<u>(1,068,302)</u>
	\$	2,292,702	\$ 2,348,746
<b>UNAMORTIZED DISCOUNTS:</b>			
Issuing and Financing Costs	\$	48,203	\$ 48,203
Accumulated Amortization		<u>(20,950)</u>	<u>(18,853)</u>
	\$	27,253	\$ 29,350
	\$	<u>2,521,824</u>	\$ <u>2,531,043</u>

LIABILITIES AND FUND EQUITY

<b>CURRENT LIABILITIES:</b>			
Due to Other Funds	\$	3,334	\$ 20,653
Accounts Payable		632	1,204
Accrued Interest Payable		12,982	13,427
Current Portion - Long-Term Debt		<u>25,000</u>	<u>25,000</u>
	\$	41,948	\$ 60,284
<b>LONG-TERM LIABILITIES:</b>			
Bonds Payable		615,000	640,000
<b>FUND EQUITY:</b>			
Contribution in Aid of Construction	\$	2,357,000	\$ 2,357,000
Accumulated Amortization		<u>(895,640)</u>	<u>(848,500)</u>
	\$	1,461,360	\$ 1,508,500
Retained Earnings		<u>403,516</u>	<u>322,259</u>
	\$	<u>2,521,824</u>	\$ <u>2,531,043</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE  
SEWER FUND  
STATEMENT OF REVENUES, EXPENSES AND RETAINED EARNINGS  
BUDGET AND ACTUAL  
YEARS ENDED FEBRUARY 28, 2006 AND 2005

	<u>2006</u>		<u>2005</u>	
	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL (OVER) UNDER BUDGET</u>	<u>ACTUAL</u>
OPERATING REVENUES:				
Charges for Services	\$ 144,000	\$ 154,870	\$ (10,870)	\$ 100,989
Sewer Hook-Ups	13,200	13,120	80	17,400
Interest Income	3,270	3,863	(593)	1,851
Land Rent & Misc.	8,900	4,860	4,040	4,560
	<u>\$ 169,370</u>	<u>\$ 176,713</u>	<u>\$ (7,343)</u>	<u>\$ 124,800</u>
OPERATING EXPENSES:				
Salaries	\$	\$ 31,283	\$	\$ 26,943
Operating Supplies		4,823		6,678
Repairs & Maintenance		9,136		11,220
Equipment Rental		0		0
Contracted Services		8,250		9,000
Utilities & Telephone		7,073		8,610
Audit and Legal		3,650		6,000
Interest Expense		39,875		41,207
Amortization - Expense		2,096		2,096
Insurance		4,500		4,206
Depreciation		56,468		67,032
Engineering		262		9,849
Lab Testing		0		3,395
TOTAL EXPENSES	<u>\$ 174,500</u>	<u>\$ 167,596</u>	<u>\$ 6,904</u>	<u>\$ 196,236</u>
OPERATING INCOME (LOSS)	\$ (5,130)	\$ 9,117	\$ (14,247)	\$ (71,436)
OTHER FINANCING USES:				
Transfers Out	0	0	0	
Transfers In	0	25,000	(25,000)	(6,600)
	<u>\$ 0</u>	<u>\$ 25,000</u>	<u>\$ (25,000)</u>	<u>\$ (78,036)</u>
	<u>(5,130)</u>	<u>34,117</u>	<u>(39,247)</u>	
NON-OPERATING REVENUES:				
Amortization of Contribution in Aid of Construction		47,140		47,140
NET INCOME (LOSS)		\$ 81,257		\$ (30,896)
Retained Earnings March 1,		<u>322,259</u>		<u>353,155</u>
RETAINED EARNINGS FEBRUARY 28,		<u>\$ 403,516</u>		<u>\$ 322,259</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MORRICE  
SEWER FUND  
STATEMENT OF CASH FLOW  
YEARS ENDED FEBRUARY 28, 2006 AND 2005

	<u>2005</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ 81,257	\$ (30,896)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	56,468	67,032
Amortization - Financing Costs	2,096	2,096
Amortization - Contribution in Aid of Construction	(47,140)	(47,140)
(Increase) Decrease in Accounts Receivable	(9,494)	17,885
(Increase) Decrease in Due from Other Funds	(21,713)	
Increase (Decrease) in Accounts Payable	(1,017)	(2,502)
Increase (Decrease) in Due to Other Funds	<u>(17,319)</u>	<u>17,961</u>
CASH PROVIDED (USED) FROM OPERATING ACTIVITIES	\$ 43,138	\$ 24,436
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(424)	(1,050)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Bonds Payable	<u>(25,000)</u>	<u>(25,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 17,714	\$ (1,614)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>95,799</u>	<u>97,413</u>
CASH AND CASH EQUIVALENTS END OF YEAR	\$ <u>113,513</u>	\$ <u>95,799</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for:		
Interest	\$ <u>39,875</u>	\$ <u>41,670</u>

DISCLOSURE OF ACCOUNTING POLICY:

For purposes of the Statement of Cash Flows, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of the financial statements.



**GENERAL FIXED ASSET ACCOUNT GROUP**

**To account for fixed assets not used  
in proprietary fund operations.**

VILLAGE OF MORRICE  
GENERAL FIXED ASSETS ACCOUNT GROUP  
BALANCE SHEET  
FEBRUARY 28, 2006

	<u>2-29-05</u>	<u>ADDITONS</u>	<u>DELETIONS</u>	<u>2/28/2006</u>
Land	\$ 10,918	\$	\$	\$ 10,918
Buildings & Improve.	607,883			607,883
Equipment	243,243	3,111		246,354
Vehicles	90,613		(10,000)	80,613
	<u>\$ 952,657</u>	<u>\$ 3,111</u>	<u>\$ (10,000)</u>	<u>\$ 945,768</u>

The accompanying notes are an integral part of the financial statements.

**GENERAL LONG-TERM DEBT**

To account for the long-term contract  
payable for equipment.

VILLAGE OF MORRICE  
GENERAL LONG-TERM DEBT ACCOUNT GROUP  
FEBRUARY 28, 2006

	BALANCE 2-29-05	INCREASES	DECREASES	BALANCE 2-29-06
Lease/Purchase - 2001 Ford Crown Victoria	\$ 2,701	\$	\$ 2,701	\$ 0
Loan Payable - 1998 Chev. Dump Truck	465		465	0
	<u>\$ 3,166</u>	<u>\$ 0</u>	<u>\$ 3,166</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

## **DOWNTOWN DEVELOPMENT AUTHORITY**

The Downtown Development Authority (DDA) Fund is used to account for the operations of the Morrice DDA. Financing for DDA operations was provided by the General Fund. Resources of this fund are used for the administration of the Authority and planning of improvements in the downtown district.

VILLAGE OF MORRICE  
DOWNTOWN DEVELOPMENT AUTHORITY  
COMPARATIVE BALANCE SHEET  
FEBRUARY 28, 2006 AND 2005

ASSETS

	<u>2006</u>	<u>2005</u>
Cash	\$ <u>762</u>	\$ <u>311</u>

LIABILITIES AND FUND BALANCE

Fund Balance	<u>762</u>	<u>311</u>
	\$ <u>762</u>	\$ <u>311</u>

The accompanying notes are an integral  
part of the financial statements.

VILLAGE OF MORRICE  
DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEARS ENDED FEBRUARY 28, 2006 AND 2005

	<u>2006</u>		<u>2005</u>	
	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL (OVER) UNDER BUDGET</u>	<u>ACTUAL</u>
REVENUES:				
Taxes	\$	\$ 438	\$ (438)	\$
Interest Income		13	(13)	3
TOTAL REVENUES	\$	\$ 451	\$ (451)	\$ 3
EXPENDITURES:				
Office Expense	\$	\$ 0	\$ 0	\$
Master Plan Dev.		0	0	922
TOTAL EXPENDITURES	\$	\$ 0	\$ 0	\$ 922
EXCESS OF EXPENDITURES OVER REVENUES	\$	\$ 451	\$ (451)	\$ (919)
OTHER FINANCING SOURCES:				
Transfers In		0	0	1,000
EXCESS REVENUES AND OTHER SOURCES OVER EXPENDITURES	\$	\$ 451	\$ (451)	\$ 81
Fund Balance March 1,		311		230
FUND BALANCE FEBRUARY 28,		\$ 762		\$ 311

The accompanying notes are an integral part of the financial statements.



## DEMIS and WENZLICK, P.C.

*Certified Public Accountants*

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Barbara Wenzlick  
Gail Winnick, C.P.A.

Members of the Village Council  
Village of Morrice  
Morrice, Michigan 48857

Incompliance with the provisions of Section 11, Paragraph 2, of Act 2, Public Acts of 1968, we wish to render our report of comments and recommendations which were formulated as a result of the examination our firm performed on the financial statements of the Village of Morrice for the year ended February 28, 2006.

As a result of our examination of the Village's financial statements, we make the following comments:

### Budget

The State Revenue Sharing Distribution; Law, P.A. 176, of 1980, includes a compliance requirement in budgeting. It is required under this act that expenditures include accounts payable at February 28.

### Form 1017

Form 1017 is a quarterly tax report showing earnings for unemployment purposes. We noted during the 3<sup>rd</sup> quarter the 1017 does not match the 941. It appears the 1017 wage amounts are under reported. We recommend reconciliation of the reports and amending the reports as necessary.

### Transfers & Loans

The fund must differentiate between amounts permanently transferred and amounts temporally loaned. We noted several instances when it was difficult to determine if there was a transfer or a loan. We recommend carefully documenting of these amounts by naming them "Due to/from" or "Transfer to/from" on the ledger so that these account balances are readily accessible on the general ledger.



### Bank Reconciliations

Timely reconciliation of all bank accounts is vital in maintaining strong internal controls. We noted that reconciliations performed during the year showed variances with the general ledger. Bank Accounts were also overdrawn during the year. We recommend all bank reconciliations be performed timely and show agreement to the ledger in order to maintain strong internal controls and to avoid bank overdraft fees.

### Property Tax Revenues

Property taxes collected from individuals are designated for several different funds. We noted that tax money was not always deposited into the proper fund. We recommend that these amounts be transferred to the proper funds and that all tax money is deposited into the designated fund.

### Interfund Transactions & Ledgers

When amounts are transferred between two funds, the ledger of both funds involved should reflect the transaction. We noted that some interfund transactions were recorded on one ledger and not recorded on the other for a period of time or at all. We recommend when making an interfund transaction to write the check, deposit it, and record on both ledgers on the same date.

### Transfer: Major Streets Fund to Local Streets Fund

State law restricts transfers from Major Streets Fund to Local Streets Fund to 25% of State Shared Revenues. During the year this limitation was exceeded. We recommend observance of this requirement throughout the year.

### DPW Salaries

Salaries are recorded by department to show the actual expenses incurred by each department. We noted that DPW salaries are currently co-mingled with the department or fund they are assisting. We recommend that all DPW salaries be recorded in one department. Once recorded, amounts for their services may be billed to the various departments they assisted.

We would like to thank the Council for the excellent cooperation we received in performing the Village audit. If we can be of any further assistance to the Village in any future matters, please do not hesitate to contact us.

Sincerely yours,

*Dennis and Wenzel, PC*

Certified Public Accountants